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# FRED. S. JAMES & Co.

of Washington

*Insurance Brokers and Consultants Since 1858*

1800 PARK PLACE-SIXTH AND UNIVERSITY-SEATTLE 98101-(206) MAIN 3-5900

November 19, 1975

Mr. C. E. McLaughlin  
Secretary-Treasurer  
Lynden Transport, Inc.  
5615 West Marginal Way S.W.  
Seattle, Washington 98106

RE: Insurance

Dear Ed:

Effective December 1, 1975, we are placing Lynden Transport, Inc., and its subsidiaries', insurance coverage with the Alaska Pacific Assurance Company. For the coming year, we are going to cover the exposures under a retro "D" plan. Under the plan, we will have Workmen's Compensation Insurance at a standard premium of \$125,600. There will be no deductible. Under the retro plan, aircraft will be limited to \$100,000.

Inland Marine will cover the cargo exposures of Lynden and its subsidiaries, less mail, milk and the water exposures. The standard premium is \$79,900. This was based on \$17,000,000 of revenue. The deductible is \$10,000. The limit is \$100,000 per vehicle and \$500,000 per occurrence.

Comprehensive General Liability covers the miscellaneous Bodily Injury and Property Damage coverage. There is no deductible on Bodily Injury, and a \$250 deductible on Property Damage. The premium is \$9,600, based on \$30,000,000 of revenue. The limit is \$1,000,000 combined single limit.

The Auto Bodily Injury and Property Damage has no deductible on Bodily Injury, and a \$250 deductible on Property Damage. The standard premium is \$136,800. The limit is \$1,000,000 combined single limit. These figures are based on \$30,000,000 of revenue.

Auto Physical Damage includes Fire, Theft, Combined Additional Coverage and Collision, with a \$25,000 per occurrence deductible. The standard premium is \$48,900.

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The total standard premium is \$400,800 plus excess Aircraft Compensation premium of \$15,000, and approximate Oregon Truckmen's Compensation of \$8,000. The excess Aircraft Compensation and Oregon Compensation will not be part of the retro. These will be guaranteed cost contracts issued separately. The reason for this is reinsurance and filing the retro plan in Oregon.

Ed, the basic is 23.5% - maximum 130%, minimum basic times the tax multiplier, which is 1.402 on all coverage except Workmen's Compensation, which is 1.038. We will use a constant loss conversion factor of 1.135 on all incurred losses. Our Compensation contracts will include Longshoremen's and Harbor Workers' Act, and the Maritime Act.

Claims will be reported in three jurisdictions: Washington, Idaho and Oregon. All Washington, Oregon, B.C. and Yukon claims will be reported to Fred. S. James & Co. of Seattle. Alaska claims will be reported to Alaska Pacific Assurance Company, and Idaho claims to Alaska Pacific's Boise office. A letter outlining the claims reporting procedure will be mailed to each terminal manager prior to December 1.

The method of payment will be \$66,800 down and ten equal payments of \$33,400. The insurance company has asked that they have the privilege of making quarterly or semiannual audits and adjust accordingly.

Ed, please note that the Workmen's Compensation rates are based upon the current average weekly benefit payable in the state of Alaska. As I mentioned to you, the average weekly wage today is \$362 a week. With the escalating clauses presently built into the Compensation Act in Alaska, by 1981 the weekly benefits will be \$667 a week. As I mentioned to you in our meeting, effective January 1 they expect an increase in benefits of anywhere from 30% to 70%, which will take our rates from \$10 per \$100 of payroll to anywhere from \$12 to \$30 per \$100 of payroll. Neither the insurance company nor Fred. S. James has any idea of what is going to happen after January 1. If there is a substantial increase in benefits, the insurance company will certainly be increasing our Compensation premiums.

I can very confidently say that the program developed for Lynden for the coming year has been completely thought out and negotiated with every possible advantage to Lynden. As you are aware, we have spent the last two months almost exclusively working on the renewal of this account. With the insurance industry losing billions of dollars a year, the interest was not great; but to those people who did express

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an interest, we spent a great deal of time convincing and selling the underwriters on the fact that Lynden has had a couple of bad years because of growth, but that with our help and Lynden's tremendous attitude toward a good, strong loss control program, the account will once again become profitable for the insurance company.

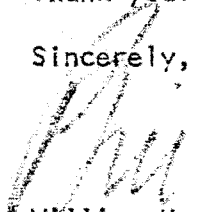
With the deductibles under the contract effective December 1, there is no question about it - Lynden is in the insurance business. We know that if your people will work with us, we can be of great help in helping Lynden Transport, Inc., control and reduce the losses for the coming year. Under the retro "D" program, if our collective efforts work, Lynden will have an opportunity to reduce their insurance cost for the year.

I can assure you that Bill, Sr., and I will devote a good part of our time and efforts to your account, and do everything within our power to deliver to you a return premium at the end of the year.

Ed, we both thank you for your vote of confidence in our ability to handle your business, and also for your cooperation in giving us the information needed to put together the renewal for 1975-1976. We both look forward to another year of very pleasant personal relationships and a very hardworking, profitable business relationship.

Thank you.

Sincerely,



William H. Scates, Jr.

WHS:pt5/3